

SCHEMES, SCAMS & FLIM-FLAMS



A CONSUMER'S GUIDE TO PHONE FRAUD

*This guide has been prepared
as a free public service by
MasterCard International Incorporated,
in cooperation with the
National Fraud Information Center.*

**"Know the difference. Hang up on fraud."
To Report Fraud, Call: 1-800-876-7060**



**NATIONAL
FRAUD**
INFORMATION CENTER

MASTERCARD INTERNATIONAL

MasterCard International is an association representing 5,000 financial institutions which issue MasterCard credit and debit cards in the United States, and an advocate for the responsible use of credit and other payment options.

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THE NATIONAL FRAUD INFORMATION CENTER

The National Fraud Information Center (NFIC), a project of the National Consumers League, is working to combat the growing menace of phone fraud. The Center provides information, referral services and assistance in filing complaints. It offers professionals involved in consumer fraud prevention and law enforcement access to advanced communications and data systems. The result has been improved regulation, prevention, apprehension and enforcement. **NFIC's fraud hotline is: 1-800-876-7060.**

IN THIS GUIDE, YOU'LL LEARN...

- ☎ *How to spot, stop and report a scam*
- ☎ *Common telemarketing fraud tricks*
- ☎ *Your legal rights and*
- ☎ *How to get help.*

SCHEMES: "You've won a free ..."

SCAMS: "We'll reserve a place with your deposit ..."

FLIM FLAMS: "This offer is prepaid if ..."

They're all too good to be true — and they're all directed at you.

Telephone sales, "telemarketing," are the primary source of funding for many legitimate businesses, non-profit organizations and consumer groups, and no doubt you've received such calls. Theaters sell subscriptions, volunteer firefighters raise money and companies sell products — all using the telephone.



However, dishonest individuals also use the telephone to con unsuspecting consumers out of hundreds of thousands of dollars a day. The NFIC has estimated the total cost of telemarketing fraud to consumers may be as high as \$40 billion a year!

It's important to be able to differentiate between a legitimate and a fraudulent telephone solicitation. The typical legitimate telemarketing call comes from a well-known organization for a product or service with which the consumer is familiar. The legitimate telemarketer generally does not request immediate payment or demand a quick decision.

How can you avoid becoming a telephone swindler's next victim? The answer is easy: **"Know the difference. Hang up on fraud."**

SMOOTH OPERATORS: SWEET TALKIN' . . . BUT FAST WALKIN'

How do telemarketing swindlers operate?

Illegitimate telemarketers use tactics ranging from the single high-pressure call to several friendly calls in the space of weeks or even months.

Enterprising swindlers, male and female, operating from sparsely furnished rooms with a bank of telephones — “boiler rooms” — can victimize consumers anywhere in the country. They usually restrict their solicitations to consumers out of state in an effort to evade prosecution.

When state or federal law enforcement officials *get too close*, illegitimate telemarketers can easily change locations and scams, sometimes overnight, which makes detection, apprehension and prosecution especially difficult.

PUT A STOP TO “PHONE-Y” TELEMARKETING SCHEMES

Protect yourself and your money. The next time a telemarketer has you on the line, be ALERT:

Ask questions

Listen carefully

Educate yourself

Refuse to be pressured

Tell the authorities



What should you ask all telemarketers before making a purchase?

- ☛ Ask for the name, address and phone number of the company represented by the caller, as well as the caller's name.
- ☛ Ask for written information on the product or service and its price.
- ☛ Ask how they got your name.
- ☛ Ask about the offer's expiration date.

A reputable telemarketer will answer your questions patiently and be willing to send you written information. An illegitimate telemarketer probably will hang up or call back later.

Persistent scam artists will pressure you to send money or provide your credit card number or other personal information immediately. **DON'T DO IT.**

Once you've fallen for a telemarketing scam, you will gain a reputation as an easy target and, chances are, you'll be called again and again.

PHONE FRAUD – DOs and DON'Ts

DOs

- ☛ DO be wary of telephone calls or postcards with offers “too good to be true.” They usually are.
- ☛ DO ask lots of questions and listen CAREFULLY to the answers. Fraudulent telemarketers shade the truth to make offers appear legitimate. Of course, if the caller doesn't answer your questions, hang up.
- ☛ DO refuse to be pressured into making a hasty decision. Legitimate callers will allow time for consideration.
- ☛ DO be skeptical if you're told you've won a prize, but have to pay something to receive it — e.g., tax, shipping and handling costs.
- ☛ DO refuse a prize if told you must make a purchase to claim it. In some states, once a prize is promised it must be given regardless of a consumer's purchase decision.
- ☛ DO check out the telemarketer with consumer protection organizations or government agencies. (See last section of this guide.)
- ☛ DO tell children in your household never to give financial information to callers and teach them how to spot phony calls.
- ☛ DO make your elderly friends and relatives aware that fraudulent callers prey heavily on older people.

DON'Ts

- ☛ DON'T be ashamed to ask questions.
- ☛ DON'T give your credit card account number, personal identification number (PIN), expiration date or other credit information to a caller unless you know you're dealing with a reputable concern. Crooks can use credit card information to charge unauthorized purchases to your credit card. An account number and expiration date are all it takes to charge purchases.

- ❖ DON'T send cash, a check or money order by messenger, overnight delivery or wire to any telemarketer insisting on immediate payment.
- ❖ DON'T provide a telemarketer with the name of your bank, checking account number or copy of your signature, regardless of the reasons given for the request. Your signature and account number can be a crook's passport to your bank account.
- ❖ DON'T be embarrassed to report telemarketing fraud. Anyone can fall prey to a scam artist — law enforcement files are full of cases in which well-educated individuals were duped by phony callers. If you are swindled by a telemarketer, make sure you report your experience as soon as possible.

WHEN CAN I GIVE CREDIT INFORMATION TO A CALLER?

Under certain circumstances it IS acceptable to give a caller your credit card number and expiration date. You can do this safely if . . .

- ❖ The caller represents a reputable business or organization with which you've dealt previously or are familiar.
- ❖ You can verify the call is legitimate.

SCAMS: THE NEWEST (AND OLDEST) TRICKS AROUND

Travel Scams

FREE TRIPS — Bargain travel is the lure used by many scam artists. Travel scams usually involve prizes or awards. These fraudulent promotions claim you've "won" a free trip or similar incentive and require a "deposit" charged to a credit card. But when you try to schedule the trip, you may be told that "space is not available during the time period requested" or that problems with hotel accommodations have limited the available space.

SALES PRESENTATIONS — Another scam requires you to attend sales presentations at resort communities in return for discounted or free vacation packages and other gifts.

Fraudulent travel promoters may try to dispel your suspicions with warnings about unscrupulous competi-

tors, claiming association with well-known reputable agencies or adopting "sound-alike," familiar names. Don't be swayed by these tactics.

Prize Offers/Postcards

Many fraudulent telemarketers use "900" numbers to market prize offers.

Winners receive postcards announcing that they are "guaranteed" a prize, such as a car, cash, a trip or merchandise certificate.

You may be asked to call a "900" number to "verify" your prize.

If you call, you might be charged as much as \$50 to learn what you've won; you might also be told you're eligible to enter a tie-breaker for a larger prize — *if you pay an additional fee*. Some victims lose thousands of dollars entering a series of tie-breakers, in the mistaken belief they're "just one step away" from a valuable prize. Some prize promoters also use your credit card number to charge additional, unauthorized fees on your account.



Magazine Promotions

Fraudulent telemarketers may contact potential magazine subscribers under the pretense of conducting a survey or making a prize offer. The words "free," "prepaid" or "special offer" are part of the pitch. These callers usually aren't interested in single subscriptions or renewals; they prefer multi-magazine contracts with multi-year, automatic renewal agreements. They often ask for a credit card number or checking account number to authorize the contract. Typical offers promote "cents per day" or "just a few dollars per month" schemes to entice the potential subscriber into purchasing multiple subscriptions. The result? You make a financial commitment of hundreds of dollars for magazines of marginal interest that could have been bought more cheaply on the newsstand.

Telefunding Scams

With an appeal designed to tug at the heartstrings, many scam artists will call to request contributions to charitable causes. They may use prizes to entice victims to contribute, but all too often, prizes never arrive and contributions are pocketed by the caller.

TELEMARKETING LAWS: WHAT YOU NEED TO KNOW

While selling products or services by phone is not a crime, telemarketing *fraud* involves unfair and deceptive trade practices, explicitly prohibited by the Federal Trade Commission Act.

Federal telemarketing law varies according to the type of sale and the type of purchase; telemarketing laws vary from state to state as well.

Following are some basic protections:

Under Federal law, you have the right to ...

- ☞ Request written information, by mail, about the product, service, investment or charity and about the organization that's offering it.
- ☞ Get guarantees or refund provisions in writing before making a financial commitment.
- ☞ Refuse to give your credit card number and/or checking account number for "identification purposes."
- ☞ Know the cost of "900" number calls, the name of the company, how to hang up without charge and procedures for resolving billing disputes.
- ☞ Ask for the name, address and phone number of a magazine seller, know the total yearly costs of each magazine and the whole package of magazines you purchase.
- ☞ Know if the caller for charity is a volunteer or a professional telemarketer/fund-raiser and how much of your donation will go to the charity, as opposed to administrative and fund-raising costs.

Other protections under the law ...

- ☞ When purchasing items by phone, a company is legally required to ship your order within the time stated in its ads. If no time is promised, the company should ship your order within 30 days.
- ☞ If an item you order is not delivered as promised, you may dispute your credit card charge and withhold payment on the disputed amount while the

dispute is investigated by your card issuer. If you choose to dispute a charge, you must write to the creditor, and your letter must reach the creditor within 60 days after the first bill containing the error was mailed to you.

And don't forget ...

- ☞ Legitimate salespersons never offer risk-free investment opportunities. If a telemarketer interests you in a business investment, check the company's reputation and references before agreeing to invest.

HOW TO GET HELP

The more often consumers report incidents of phone fraud, the easier it becomes for swindlers to be shut down and apprehended. Fraud flourishes when left unreported. In fact, scam artists count on your reluctance to admit you've been taken: NFIC research shows that fewer than 10 percent of fraud victims report their losses to law enforcement authorities.

You can register a complaint with NFIC by calling its hotline: 1-800-876-7060.

The NFIC will log your call into a computerized national law enforcement database operated by the Federal Trade Commission. This database is used extensively by the FTC, FBI, Secret Service, U. S. Postal Inspection Service, Department of Justice, U.S.

Attorney Offices and many state Attorneys General and state and local consumer protection offices to bring criminals to justice.

If you suspect a scam, you should also file a complaint with your state's Attorney General or Office of Consumer Protection as soon as possible. The state Attorney General and local district attorney investigate and prosecute fraud cases.

Following is more information on contacting appropriate officials in your state:



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